

Message Text

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SUBJECT: TRADE PROMOTION PROGRM FOR THE GDR: 1975-76

REF: (A) STATE 216939, OCT 2, 1974; B) VIENNA 640
(C) STATE 14883

BEGIN SUMMARY- THE SCOPE
OF A US TRADE PROMOTION PRO-
GRAM IN THE GDR SHOULD REFLECT THE QUALITY OF THE OVER-
ALL US/GDR RELATIONSHIP AND ALSO THE PROSPECTS FOR
PROMOTING TRADE. THESE CRITERIA SUGGEST THAT A MODEST
EFFORT IN 1975, LIMITED TO AN OFFICIAL US PRESENCE
AT THE SPRING AND FALL LEIPZIG FAIRS, IS WARRANTED.
AN EXPANDED PROGRAM OF EVENTS COULD BE WORTHWHILE IN
1976. END SUMMARY

1. WITH THE ESTABLISHMENT OF DIPLOMATIC RELATIONS IN
SEPTEMBER 1974 AND THE OPENING OF EMBASSY BERLIN THREE
MONTHS LATER, AN OFFICIAL U.S. TRADE PROMOTION PROGRAM
IN THE GDR IS REQUIRED AS AN EARNEST OF OUR INTEREST
IN THE GDR MARKET. THE BUSINESS DEVELOPMENT OFFICE (BDO)
AT THE LEIPZIG 1975 SPRING FAIR (MARCH 9-16), FOR WHICH
PREPARATIONS ARE ADVANCED, WILL MARK OUR TRADE PROMO-
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TION DEBUT IN THE GDR AND SHOULD BE VIEWED BY THE EAST

GERMANS AS AN EXPRESSION OF OUR INTEREST IN THE GDR MARKET. THE SCOPE OF AN INITIAL TRADE PROMOTION PROGRAM, HOWEVER, SHOULD BE DETERMINED AS MUCH BY THE OVERALL STATE OF OUR BILATERAL RELATIONS AS WELL AS BY THE POTENTIAL BENEFITS LIKELY TO BE DERIVED FROM SUCH AN EFFORT. ALSO IMPORTANT IS THE EMBASSY'S ABILITY TO PROVIDE THE LOGISTICAL SUPPORT FOR A CERTAIN CALENDAR OF EVENTS. IN THIS CONTEXT, A MODEST PROGRAM IS ALL THAT APPEARS WARRANTED AND POSSIBLE IN 1975. A SOMEWHAT MORE AMBITIOUS SCHEDULE IN 1976 MIGHT BE BOTH WORTHWHILE AND FEASIBLE.

2. SEEN FROM THE EAST GERMAN PERSPECTIVE, THE RESOLUTION OF SOME BASIC TRADE POLICY QUESTIONS IS CENTRAL TO THE FUTURE BILATERAL TRADING RELATIONSHIP. CONSIDERING THE PROVISIONS OF THE TRADE ACT OF 1974, AND BILATERAL DEVELOPMENTS SUCH AS OUR CANCELLATION OF THE BEIL VISIT AND THE GDR DECISION TO POSTPONE THEIR TRADE PROMOTION EVENTS IN THE U.S., THE PROSPECTS FOR CONCLUSION IN THE NEAR FUTURE OF A TRADE AGREEMENT APPEAR TO BE EXTREMELY REMOTE. A DELAY IN NEGOTIATING A TRADE AGREEMENT (INCLUDING PROVISIONS FOR MFN AND GOVERNMENT CREDITS), SUPPOSEDLY AN EAST GERMAN SINE QUA NON FOR EXPANDED BILATERAL TRADE, WILL ALMOST CERTAINLY RETARD ANY MOVES WHICH MIGHT HAVE BEEN MADE BY THE GDR IN THE 1976-1980 PLAN PERIOD TO INCREASE ITS TRADE TURNOVER WITH THE U.S. TANGIBLE PROGRESS IN THIS AREA, WHICH APPEARS UNREALISTIC AT THIS TIME, WOULD BE REQUIRED TO ACCOMPANY OR PRECEDE AN AMBITIOUS TRADE PROMOTION EFFORT IN ORDER TO ENHANCE ITS PROSPECTS FOR SUCCESS. FINALLY, THROUGHOUT 1975 (AND POSSIBLY WELL INTO 1976) A SMALL AND NEWLY-ESTABLISHED EAST BERLIN EMBASSY WILL BE HARD-PRESSED TO PROVIDE ADEQUATE SUPPORT FOR, OR DERIVE MAXIMUM BENEFIT FROM, AN AMBITIOUS SCHEDULE OF TRADE PROMOTION EVENTS.

3. THE FOREGOING LEADS US TO RECOMMEND THAT 1975 TRADE PROMOTION EVENTS SERVE ESSENTIALLY AS A HOLDING OPERATION AND THAT THEY BE LIMITED TO THE PLANNED PARTICIPATION IN THE LEIPZIG SPRING FAIR AND A SIMILAR PRESENCE AT THE LEIPZIG FALL FAIR (AUGUST 31-SEPTEMBER 7). SUCH A LEVEL LIMITED OFFICIAL USE

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OF ACTIVITY WOULD MEET WITH THE APPROVAL OF EAST GERMAN OFFICIALS WHO, IN GENERAL TERMS, EXPRESSED SATISFACTION WITH THE TYPES OF EVENTS OUTLINED IN REFTL (A) AS A MATTER OF POLICY, THE EAST GERMANS ATTACH IMPORTANCE TO AN OFFICIAL PRESENCE AT THE LEIPZIG FAIR; AND A 1975 TRADE PROMOTION PROGRAM LIMITED TO TWO SUCH EFFORTS SHOULD, IN THE CIRCUMSTANCES, SATISFY THEIR EXPECTATIONS. THE AMBASSADOR EXPECTS TO PLAY AN

ACTIVE ROLE IN PROMOTING THE LEIPZIG SPRING FAIR BDO.
A BRIEF VISIT TO LEIPZIG BY A SUITABLE REPRESENTATIVE
OF STATE OR COMMERCE (PERHAPS ONE OF THE SENIOR
REPRESENTATIVES ATTENDING THE WEST BERLIN EASTERN
EUROPEAN ECONOMIC/COMMERCIAL OFFICERS CONFERENCE,
FEBRUARY 25-28) WOULD ENHANCE OUR PRESENCE AND HELP
TO ATTRACT HIGH-LEVEL EAST GERMAN PARTY AND GOVERNMENT
OFFICIALS.

4. WITH REGARD TO THE NATURE OF OUR PRESENCE AT THE 1975
LEIPZIG FALL FAIR, WE WOULD RECOMMEND THAT THE "CHEMICAL/
PETROCHEMICAL PROCESSING EQUIPMENT AND INSTRUMENTATION"
THEME BE SELECTED. ACCORDING TO EWTC'S RECOMMENDED TRADE
PROMOTION THEMES FOR THE GDR (REF B), WITH WHICH WE CONCUR
FULLY, THIS INDUSTRIAL SECTOR WOULD APPEAR TO OFFER THE
BEST PROSPECTS FOR INCREMENTAL U.S. EXPORTS. MOREOVER,
THAT PARTICULAR INDUSTRIAL SECTOR IS THE CENTRAL ONE AT
THE FALL FAIR. HOWEVER, IN VIEW OF CONSIDERATIONS SPELLED
OUT IN PARA 2 ABOVE AND RELATIVELY SHORT LEAD TIME
(DEADLINE FOR APPLICATIONS FOR SPACE AT FALL FAIR WAS
JANUARY 31). SUGGEST THAT OUR PARTICIPATION CONSIST OF
A BDO AND, POSSIBLY, A TECHNICAL SEMINAR. ALTERNATIVE
THEME COULD BE "TEXTILE MACHINERY AND EQUIPMENT" (PARA
11, REF B), WHICH IS ALSO AN INDUSTRIAL SECTOR HIGH-
LIGHTED AT FALL FAIR. AS WITH OUR FIRST THEME CHOICE,
THE MOST APPROPRIATE VEHICLE FOR THE LATTER THEME WOULD
BE A BDO CUM TECHNICAL SEMINAR. A DECISION REGARDING
LEIPZIG FALL FAIR SHOULD BE MADE WITHIN NEXT FEW WEEKS.
CHIEF, ECONOMIC/COMMERCIAL SECTION WILL BE PREPARED TO
DISCUSS FURTHER AT EE ECON/COMM CONFERENCE IN FEBRUARY,
IF DESIRED.

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5. WITH REGARD TO THE PROPOSED STATE OF GEORGIA IOGA TRADE MISSION (REF C), RESPECTFULLY SUBMIT THAT VISIT OF SUCH A GROUP IN OCTOBER 1975 WOULD BE PREMATURE AND THE RESULTS PROBABLY DISAPPOINTING. EMBASSY IS AWARE OF GOOD REPUTATION EARNED BY EARLIER GEORGIA TRADE MISSIONS. NEVERTHELESS, WE BELIEVE THAT CONSIDERATIONS PROVIDED ABOVE ARE COMPELLING. MOREOVER, WE QUESTION THE EFFICACY OF THIS KIND OF TRADE PROMOTION EVENT IN THE GDR. THE FEW AMERICAN AND THIRD COUNTRY PRIVATE SECTOR TRADE MISSIONS AND SIMILAR GROUPS WHO HAVE VISITED EAST BERLIN IN THE RECENT PAST HAVE BEEN INVARIABLY DISAPPOINTED WITH THE NUMBER AND THE QUALITY OF THE CONTACTS THEY HAVE MADE. WHILE A CONSIDERABLE AMOUNT OF SOCIALIZING WITH THE EAST GERMAN FOREIGN TRADE ELITE IS POSSIBLE ON SUCH OCCASIONS, AS OCCURRED AT THE BUSINESS INTERNATIONAL ROUND TABLE IN FEBRUARY 1974, THE CONVERSATIONS HAVE GENERALLY BEEN OF A BROAD NATURE; AND THE CONTACTS MADE WERE RARELY THE PRELUDE TO AN ENDURING BUSINESS RELATIONSHIP.

6. WE WOULD NOT, AT THIS TIME, WANT TO RULE OUT AN IOGA TRADE MISSION OR, FOR THAT MATTER, ANY OTHER TRADE PROMOTION EVENTS FOR THE GDR IN 1976. PROVIDED CONDITIONS ARE SUITABLE, IT WOULD BE DESIRABLE TO LIMITED OFFICIAL USE

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MOUNT AN EXHIBIT/SEMINAR AT THE LEIPZIG 1976 SPRING FAIR. MOST DESIRABLE THEMES IN OUR VIEW WOULD BE "INDUSTRIAL PROCESS CONTROL AND MEASURING INSTRUMENTS", "MACHINE TOOLS FOR METALS", AND "BUSINESS MACHINES (INCLUDING COMPUTERS)" AS PROPOSED BY EWTC (PARA 7, 8 AND 10, REFTEL B). A DECISION ON THIS MATTER SHOULD BE TAKEN BY EARLY FALL AT THE LATEST. IN PLANNING SUCH EVENTS WE OUGHT TO ACCOMMODATE THE FOLLOWING GDR DESIDERATUM. THE EAST GERMANS CLAIM NOT TO BE FAMILIAR WITH THE AMERICAN ECONOMY OR THE UNIVERSE OF AMERICAN FIRMS. THEY HOPE, THEREFORE, THAT COMMERCE-SPONSORED EVENTS WILL INTRODUCE NEW-TO-MARKET AMERICAN FIRMS, ESPECIALLY THOSE DESIRING TO LICENSE, FOR MANUFACTURE OR USE IN THE GDR, COMMERCIALY PROVEN PRODUCTS AND TECHNOLOGUES.

7. WITH REGARD TO THE LEIPZIG 1976 FALL FAIR, AN EXHIBIT/ SEMINAR DEVOTED TO EITHER OF THE THEMES SPECIFIED IN

PARA 4 ABOVE WOULD BE APPROPRIATE. AN IOGA, AN EXECUTIVE
LEVEL, OR A SPECIALIZED TRADE MISSION COULD PROBABLY
BE SCHEDULED FOR THE FINAL QUARTER OF 1976 --
PROVIDED THE CLIMATE FOR SUCH A VENTURE WILL THEN BE
OPPORTUNE. IN VIEW OF THE SIGNIFICANT GDR MARKET FOR
U.S. FARM PRODUCTS -- U.S. STATISTICS CONSIDERABLY
UNDERSTATE THE IMPORTANCE OF THIS MARKET -- WE BELIEVE
CONSIDERATION SHOULD BE GIVEN TO MOUNTING AN "AGRICULTURAL
ATTACHE PRODUCT DISPLAY" IN EAST BERLIN, PERHAPS IN THE
SECOND QUARTER OF 1976. WE HAVE BEEN IN CONTACT WITH THE
OFFICE OF THE AGRICULTURAL ATTACHE IN EMBASSY BONN ON THIS
SUBJECT; AND, ALTHOUGH BONN'S ROLE WOULD PERFORCE BE
LIMITED TO LOGISTICAL ARRANGEMENTS, WE BELIEVE SUCH AN
EFFORT COULD BE USEFUL IN PROMOTING AMERICAN FOOD
PRODUCTS AND IN ESTABLISHING CONTACTS AND CULTIVATING
GOVERNMENT PURCHASING OFFICIALS AND OTHER KEY PERSONS.
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